

Message Text

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ORIGIN EB-11

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CIAE-00 COME-00 DODE-00 FRB-02 H-02 INR-10 INT-08

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DRAFTED BY EB/ ORF/ OFP/ FPD- MPBOERNER/ LMS

6/28/73 EXT: 23036

APPROVED BY EB/ OFP/ FPD- MPBOERNER

EB/ ORF - JLKATZ

EA/ ANP - LMOSE

USDA - RBELL

EUR/ RPE- MR. ALBRECHT

EUR/ CAN - DTHOMSON

----- 079713

P R 282256 Z JUN 73

FM SECSTATE WASHDC

TO AMEMBASSY LONDON PRIORITY

AMEMBASSY DUBLIN PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY LUXEMBOURG PRIORITY

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E. O.11652 N/ A

TAGS; EAGR, ETRD, EGN, UK, EI, FR, BE, NL, LU,

DA, GE, IT, 4 A, TW, CA, AS, AR

SUBJ: EXPORT EMBARGO ON SOYBEANS AND COTTONSEEDS

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AND THEIR BY- PRODUCTS

REF: STATE 126473

1. DEPT CALLED IN REPRESENTATIVES OF EMBASSIES FROM ACTION ADDRESSEE POSTS JUNE 28 FOR BRIEFING ON SOYBEAN AND COTTONSEED EXPORT EMBARGO ANNOUNCED JUNE 27.
2. DEPTASSTSECY KATZ OPENED THE MEETING BY REGRETTING THAT IT HAD NOT BEEN POSSIBLE TO MEET EARLIER WITH EMBASSY REPRESENTATIVES TO EXPLAIN THE BACKGROUND OF THE DECISION ANNOUNCED JUNE 27. IT WAS ONLY AFTER THE RESULTS OF THE DEPARTMENT OF COMMERCE SURVEY OF EXPORT CONTRACTS UNDERTAKEN AS A RESULT OF THE PRESIDENT' S SPEECH OF JUNE 1 B WERE AVAILABLE THAT IT WAS POSSIBLE TO DETERMINE THE MAGNITUDE OF THE PROBLEM INVOLVED. WE HAD NOT TAKEN THE ACTION LIGHTLY, WE WERE AWARE THAT IT WAS A DRASTIC MEASURE, BUT FELT THAT IT WAS MADE NECESSARY BY THE SITUATION WHICH THE COMMERCE SURVEY REVEALED.
3. DEPTASST SEC BELL OF USDA NOTED THAT LIVESTOCK PRODUCTION AROUND THE WORLD HAD INCREASED CONSIDERABLY AND THAT THE COMMODITIES UNDER TEMPORARY EMBARGO WERE USED CHIEFLY IN LIVESTOCK FEED. HE REITERATED SECRETARY DENT' S EARLIER STATEMENT THAT BY MONDAY, JULY 2, THERE WOULD BE AN ANNOUNCEMENT ABOUT WHAT QUANTITIES OF SOYBEANS AND COTTONSEEDS AND THEIR BY- PRODUCTS WOULD BE AVAILABLE FOR EXPORT AND THE METHOD OF ALLOCATION OF THESE QUANTITIES. THE ACTION HAD BEEN NECESSARY BECAUSE THE SURVEY UNDERTAKEN OF CONTRACTS BY THE DEPARTMENT OF COMMERCE INDICATED THAT STRONG DEMAND ABROAD IN THE PERIOD PRECEDING THE HARVESTING OF THE NEW SOYBEAN CROP WAS IMPERILING THE SUPPLY OF PROTEIN FEED AVAILABLE TO DOMESTIC LIVESTOCK AND POULTRY RAISERS. WE WERE STILL STUDYING THE FIGURES FROM THE COMMERCE SURVEY, SINCE THERE WAS A POSSIBILITY THAT THEY MIGHT BE INFLATED, AND THE REVISED FIGURES WOULD DETERMINE WHAT QUANTITIES OF OLDCROP SOYBEANS WOULD BE AVAILABLE FOR EXPORT. MR. BELL ALSO CALLED ATTENTION TO SECRETARY DENT' S REFERENCE TO THE POSSIBILITY OF ACTION ON CORN EXPORTS, BUT NOTED THAT THE CARRYOVER OF CORN AT THE END OF THE CROP YEAR WAS STILL PROJECTED AT A RESPECTABLE LIMITED OFFICIAL USE

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LEVEL. USDA CONTINUED TO BE EXPORT- ORIENTED, BUT AN EQUITABLE RELATIONSHIP HAD TO BE ESTABLISHED BETWEEN DOMESTIC AND EXPORT DEMAND. THE FINAL ACTION WOULD TAKE INTO ACCOUNT THE NEEDS OF FOREIGN BUYERS.

4. CHIEF QUESTIONS FROM THE GROUP CONCERNED THE SYSTEM OF EXPORT CONTROLS WHICH WOULD BE ANNOUNCED ON JULY 2,

AND THE EFFECT ON CONTRACTS MADE BEFORE THE PRESIDENT'S
SPEECH OF JUNE 13 ON EXPORT CONTROLS.

5. DEPTASSTSECY KATZ NOTED THAT IT WAS IMPOSSIBLE TO
FORECAST AT THIS TIME WHAT THE EVENTUAL ALLOCATION SYSTEM
WOULD BE; THE FACT THAT THE SYSTEM MIGHT BE APPLIED ONLY
FOR A LIMITED PERIOD OF TIME, I. E., TWO AND ONE- HALF MONTHS
UNTIL THE BEGINNING OF THE NEW CROP YEAR, MADE THE PROBLEM
OF FINDING AN ADEQUATE SYSTEM EVEN MORE DIFFICULT. HE
NOTED THAT IN ANY CASE EXPORTS OF SOYBEANS FROM THE
BEGINNING OF THE CROP YEAR IN SEPTEMBER, 1972 THROUGH MAY, 1973
WERE WELL AHEAD OF THE PREVIOUS YEAR'S TOTAL, 429
MILLION BUSHELS COMPARED WITH 334 MILLION BUSHELS. HE
ALSO NOTED THAT WHILE WE WOULD ATTEMPT TO SOLVE THE EQUITY
PROBLEM REGARDING CONTRACTS AS MUCH AS WAS POSSIBLE, IT
WAS INEVITABLE THAT WHEN THE GOVERNMENT INTERVENED IN
THIS MANNER THAT NOT ALL EQUITIES COULD BE SATISFIED.
BELL SAID THAT BASED ON THE INFORMATION AVAILABLE ON
EXPORT CONTRACTS, IT HAD NOT BEEN POSSIBLE TO EXCLUDE
CONTRACTS WRITTEN PRIOR TO JUNE 13 FROM THE EXPORT CONTROLS.

6. BELL ALSO NOTED THAT THE SITUATION WAS NOT ENTIRELY
OF OUR OWN MAKING. HE CITED SHORTAGE OF PERUVIAN FISHMEAL
HE ALSO NOTED LARGE FORWARD SALES OF US WHEAT AND CITED

LAST YEAR'S POOR WHEAT CROP IN AUSTRALIA AND THE POOR CORN
HARVEST THIS YEAR IN SOUTH AFRICA. US FREQUENTLY BEING
APPROACHED WITH REQUESTS FOR WHEAT BECAUSE IT WAS THE
ONLY SUPPLIER NOW AVAILABLE. WE WERE NOW ATTEMPTING TO
OBTAIN INFORMATION ON FOREIGN WHEAT CROPS THIS YEAR,
AND OUR IMPRESSION WAS THAT THE CANADIAN CROP WAS
DEVELOPING WELL.

7. EMBASSIES MAY DRAW ON ABOVE IN DISCUSSION WITH HOST
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GOVERNMENTS. FYI; WE ARE PLANNING TO ARRANGE A SIMILAR
BRIEFING WITH SAME EMBASSY REPS HERE WHEN JULY 2
ANNOUNCEMENT IS MADE ON QUANTITIES AVAILABLE FOR EXPORT
AND THE METHOD OF ALLOCATION. END FYI. ROGERS

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